

RECORDATION NO. 26828 - A FILED

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SURFACE TRANSPORTATION BOARD

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ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

March 8, 2007

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Memorandum of Mortgage, dated as of March 8, 2007, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the Memorandum of Car Hire Lease Agreement previously filed with the Board under Recordation Number 26828.

The name and address of the party to the enclosed document are:

Debtor: Babcock & Brown Rail Funding LLC
885 Second Avenue
49th Floor
New York, NY 10017

[Secured Party: Bayerische Hypo-Und Vereinsbank AG, Agent
FPA 4 Lease/Asset Finance
Am Tucherpark 1 (FPA)
80538 Munich
Germany]

Mr. Vernon A. Williams
March 8, 2007
Page Two

A description of the railroad equipment covered by the enclosed document
is:

100 railcars: AOK 58040 – AOK 58139.

A short summary of the document to appear in the index is:

Memorandum of Mortgage.

Also enclosed is a check in the amount of \$34.00 payable to the order of
the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the
undersigned.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Edward M. Luria". The signature is fluid and cursive, with the first name "Edward" and last name "Luria" being the most prominent parts.

Edward M. Luria

RWA/sem
Enclosures

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MEMORANDUM OF MORTGAGE

SURFACE TRANSPORTATION BOARD

Memorandum of Mortgage, made and entered into as of March 8, 2007 between **BABCOCK & BROWN RAIL FUNDING LLC** (the "Debtor") and **BAYERISCHE HYPO-UND VEREINSBANK AG**, as Agent under the Security Agreement referred to below (together with its successors and permitted assigns, the "Secured Party"). Terms used in this instrument have the meanings assigned thereto in the Amended and Restated Security Agreement dated as of October 18, 2002 (as supplemented, including by Security Agreement Supplement No. 52 dated the date hereof, the "Security Agreement") between the Secured Party and the Debtor.

WITNESSETH:

The undersigned and the Secured Party have entered into the Security Agreement, by which the Debtor has granted a security interest in certain railroad equipment bearing reporting marks and road numbers as listed on Exhibit A attached hereto and in each lease referred to on Exhibit B attached hereto to the Secured Party in order to secure the Debtor's performance of its obligations as described in the Security Agreement.

IN WITNESS WHEREOF, the party hereto has caused this memorandum to be duly executed by its officer duly authorized as of the date and year first above written.

**BABCOCK & BROWN RAIL FUNDING
LLC**

By 

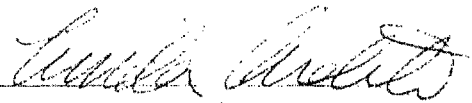
Name: Larry Littlefield

Title: Vice President

STATE OF CONNETICUT)
) SS.
COUNTY OF GREENWICH)

On March 7, 2007, before me, Linda Ardito, Notary Public, personally appeared Larry Littlefield, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal



LINDA ARDITO
Notary Public
State of Connecticut
My Commission Expires April 30, 20 10

Notary Public

Memorandum of Mortgage

Exhibit A
to Memorandum of Mortgage

EQUIPMENT

<u>Lease #</u>	<u># Cars</u>	<u>Year Built</u>	<u>Description</u>	<u>Reporting Marks</u>	<u>Casualty Marks</u>
1	100	2006 and 2007, by Gunderson LLC	Five-well articulated double-stack container cars with 40' wells, 70- ton end trucks and 125- ton intermediate trucks ("Maxi-I" cars), 801,100 lbs. GRL (for reporting marks AOK 58040-58099, inclusive) and 801,500 lbs. GRL (for reporting marks AOK 58100-58139, inclusive).	<u>2006-built cars:</u> AOK 58040-58108, inclusive. <u>2007-built cars:</u> AOK 58109-58139, inclusive.	None

LIST OF LEASES AND OTHER OPERATIVE AGREEMENTS

Lease # 1

Car Hire Lease Agreement dated as of February 16, 2007 and effective as of November 15, 2006, between Babcock & Brown Rail Funding LLC and The Kansas City Southern Railway Company.

Rider No. 1 to Car Hire Lease Agreement entered into as of February 16, 2007 and effective November 15, 2006, between Babcock & Brown Rail Funding LLC and The Kansas City Southern Railway Company.

Memorandum of Car Hire Lease Agreement entered into as of February 16, 2007 and effective November 15, 2006, between Babcock & Brown Rail Funding LLC and The Kansas City Southern Railway Company.

Certificate of Acceptance of Railroad Cars dated February 26, 2007, executed by The Kansas City Southern Railway Company, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Warranty Bills of Sale dated as of November 15, 2006, November 30, 2006, December 15, 2006, December 31, 2006, January 15, 2007 and January 24, 2007 from Gunderson LLC to Greenbrier Leasing Company LLC in relation to the railcars identified in such Warranty Bills of Sale.

Purchase Agreement dated as of February 28, 2007, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, to the extent the same relates to the Equipment under the caption "Lease #1" described in Exhibit A hereto.

Bill of Sale dated February 28, 2007 from Greenbrier Leasing Company LLC to Babcock & Brown Rail Funding LLC, in respect of the Equipment described in Exhibit A hereto.

Assignment and Assumption Agreement dated as of February 28, 2007, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Warranty Assignment dated as of February 28, 2007, between Greenbrier Leasing Company LLC and Babcock & Brown Rail Funding LLC, in respect of the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Manufacturer's Consent dated February 28, 2007, made by Gunderson LLC to Babcock & Brown Rail Funding LLC, in respect of the Equipment under the caption "Lease #1" described in Exhibit A hereto.

Side Letter dated February 28, 2007, from Greenbrier Leasing Company LLC to Babcock & Brown Rail Funding LLC, in respect of the purchase price for the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Side Letter dated February 28, 2007, from The Greenbrier Companies, Inc. to Babcock & Brown Rail Funding LLC, in respect of the TTX trademarked yellow color for the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Side Letter dated February 27, 2007, from Greenbrier Leasing Company LLC to Babcock & Brown Rail Funding LLC, in respect of the original equipment cost for the Equipment described under the caption "Lease #1" in Exhibit A hereto.

Together with all substitutions, replacements and renewals of the property above described, and all property which shall hereafter become physically attached to or incorporated in the property above described, whether the Debtor now has rights therein or such rights shall hereafter be acquired by it.

CERTIFICATION

I, Edward M. Luria, an attorney licensed to practice in the District of Columbia, the State of Delaware and the Commonwealth of Pennsylvania, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: March 8, 2007

A handwritten signature in black ink, appearing to read "Ed M Luria", written over a horizontal line.

Edward M. Luria